

MEMORANDUM FOR: The EIC Secretariat

FROM: Chairman, EIC Subcommittee, on General
Economic Analysis

SUBJECT: Annual Report on the Activities of the
Subcommittee on General Economic Analysis
for Fiscal 1956

1. Two meetings were held during the year: 16 April and
23 May 1956.

2. No projects were undertaken by the members of the Sub-
committee at the direction of the EIC.

3. No substantive discussions of economic intelligence were
held by the Subcommittee. *reviewed*

4. The Subcommittee coordinated four proposed external research
projects:

a) National Income and Product of European Satellite
countries -- Czechoslovakia and Poland, sponsored by ORR.

b) 1950 Ruble-Dollar Ratios for Representative Types
of Construction, sponsored by ORR.

c) Development of Data Arrays and Techniques for Target
Analysis of the People's Republic of China, sponsored by the Air
Force.

d) Data and Techniques for Estimating Soviet Bloc Military
Capabilities and Growth, sponsored by the Air Force.

No objection was voiced to any of the proposed projects.

5. The Subcommittee reviewed a proposal for a US-USSR exchange
of delegations in the areas of governmental statistics and economic
planning. It was agreed that the scope of the original proposal
should be broader. Final coordination on an exchange proposal con-
cerned with the broad workings of the respective economies, rather
than the technicalities of administration, was effected early in
the next fiscal year.

6. The Subcommittee considered the Post Mortem on NIE 13-56, and forwarded comment to the EIC on the collection problems discussed in it.


7. A proposal by the National Manpower Council for a US-USSR exchange was considered by the Subcommittee and the net intelligence gain was evaluated.

8. Recommendations:

- a) That the present membership of the Subcommittee continue.
- b) That the primary activities of the Subcommittee continue to be:

- 1) *Review* Coordination of external research proposals.
- 2) Review of post mortems as needed.
- 3) Evaluation of the net intelligence advantage of delegation exchange proposals.
- 4) Discussion as need arises of problems of mutual interest within the substantive field of the Subcommittee.

25X1A9a



GENERAL ECONOMIC ANALYSISFrequency of Meetings: 2 meetings in FY 1955

<u>SC Members Evaluation</u>	<u>Valuable?</u>	<u>Continue?</u>	<u>Future Work?</u>	<u>Faults?</u>
AFOIN	Some - contact	Immaterial	Exchange views; general dis- cussion	No specific major assign- ment from EIC
G-2	Very slight	Only if res- ponsibilities recast. Meet only as needed	Reporting to the EIC major developments, including changes of trend, likely to affect the relative econ- omic strength of the Bloc and the Free World	Needless as now set up
ONI	Of no value	Dissolve	What little work committee has done has been too specialized to be of value to agencies outside of CIA/ORR	
OIR	No useful purpose served	Disband or revitalize	-	Meetings desultory, unpro- ductive; never came to grips with problems indicated in terms of reference; can be staffed suitably only with sophisticated economic analysts - services do not have this type of economists
ORR	Some	Yes - on stand-by basis	Review external research pro- jects and more important papers and developments; drop efforts to achieve agreed statistics and future research deficiency sur- veys.	Only State and ORR have significant interest in subject

~~SECRET~~

ICA	Has met too infrequently to have appreciable value	No definite value as constituted. Meeting so infrequently is almost non-existent anyway	Member organizations that engage in an appreciable amount of economic analysis might use this SC as a forum for discussing the implication of current analysis and their projected research plans	Too little experience to judge - other than the very inactivity of the SC
-----	--	---	---	---

~~SECRET~~

Subcommittee's Evaluation of Itself (From Annual Report)

"Two substantive discussions of economic intelligence were held for the Subcommittee by ORR (Analysis Division) personnel. The first of these discussions on the significance of the "New Economic Policy" in the Soviet Union was held in 1954 and was attended by only three of the five member agencies. The second discussion concerned a Preliminary Evaluation of the Schelling Report. Both of these presentations were greeted with enthusiasm by Subcommittee members and plans were laid for continuing this interchange of useful information.

"In the matter of agreed statistics, the Subcommittee instructed OIR and ORR to attempt to reconcile their differences regarding Soviet National Accounts and refer the results to the Subcommittee. ORR and OIR attempted this reconciliation by means of a long series of discussions lasting from February through July, 1955. The effort did not, unfortunately, result in the hoped-for agreed statistics, although many detailed differences were clarified. Two unreconciled estimates were contributed to ONE for NIE 11-3-55 and two parallel estimates were furnished, in some instances, [REDACTED] for the project Economic Comparison of NATO and the Bloc. The differences which presently separate OIR and ORR on statistics common to their individual research efforts are extremely technical and often definitional in nature. Because of these facts, it is believed that the best procedure in future will be to continue direct and continual negotiations between the two offices outside the more cumbersome mechanism of the Subcommittee.

25X1X7

Future Program of the Subcommittee

"As Chairman of the Economic Intelligence Committee's Subcommittee on General Economic Analysis, I recommend:

- a. that the Subcommittee continue to meet as need arises rather than on a fixed schedule,
- b. that the membership remain the same,
- c. that the primary function of the Subcommittee to review and approve external research contracts be continued as per NSCID directive,
- d. that the review of substantive papers and significant economic development in the Subcommittee be continued on a more active basis,
- e. that the subcommittee no longer be responsible for attempting to achieve agreed statistics in its field."

Secretariat's Evaluation of Subcommittee Activities

Apparently the responsibilities of this subcommittee were originally thought of as twofold:

- a. To generally take an "over-all look" at the total economic picture of whole countries and areas (particularly of the Sino-Soviet Bloc). This would afford a means of reconciling estimates made by the other substantive subcommittees on the separate sectors of various national economies with

- 2 -

~~SECRET~~

one another and with the total economic structure and Gross National Product of the areas involved. It would also provide a forum of particularly able economists, with broad background and a wide range of knowledge - to consider substantive and methodological problems of larger scope than might appropriately be considered by other subcommittees dealing with more limited areas of analysis.

b. To concern itself particularly with "aggregative economics", i.e., national accounts (e.g. GNP, national income, etc.) and their principal components; "input-output" analysis and consideration of other economic aggregates (such as gross industrial output). Also to consider the improvement of analytical techniques and methodologies useful for general economic analysis.

In practice the subcommittee has not functioned effectively in either field. Many of the representatives designated have lacked the professional stature and broad responsibilities within their own agencies which would be necessary for them to discharge the first of the functions listed above. As regards "aggregative economics" only ORR, and to a more limited extent State Department, engage in research in this field; and experience has demonstrated that the State Department's representatives who have attended this subcommittee are not the individuals who are normally responsible for coordinating interagency decisions in this field (for example, on GNP and related material for Sino-Soviet Bloc NIE's). Other agencies with representation on this subcommittee have neither engaged in general economic analysis nor made available individuals with competence for this highly specialized field. As a consequence, even with the greatest good will on their part, representatives of these other agencies have not been in position to contribute helpfully to subcommittee deliberations. The Subcommittee for General Economic Analysis - which under different circumstances might have become the most influential and important of all EIC subcommittees - has been virtually ineffective. In the Secretariat's judgment the reconstitution of this subcommittee into a genuinely effective body with appropriately qualified representation from EIC member agencies is probably impractical because of the extremely limited number of individuals in the economic intelligence community who possess the required competence. On the other hand both of the functions listed above still need to be covered, in some manner, to assist the EIC in discharging its own specifically assigned responsibilities.

Recommended EIC Action:

1. To limit the assignment of the present General Economic Analysis Subcommittee to the second function outlined above - specifically these would include the periodical preparation of surveys of priority research and collection deficiencies, the coordination of external research projects in the field of general economic analysis, the informal review of important papers prepared in the field (of particular importance as a means of "briefing" the other agencies on the significant conclusions) and the undertaking of *additional* ad hoc assignments, as appropriate.

~~SECRET~~

2. To establish a high level "Economic Intelligence Advisory Panel" with membership made up of individuals of particularly broad competence in this field - from within the Government without regard to their department assignments and supplemented and substantially strengthened by appropriately selected consultants of outstanding reputation from outside the Government. Terms of Reference for such a group, as proposed by the Vice Chairman of the EIC, are attached.

- 4 -

~~SECRET~~